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February 21, 2001

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 Twelfth Street, SW - Room TWB-204
Washington, DC 20554

Re: *Ex Parte* - CC Docket No. 01-9 /
Application by Verizon New England, Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), and Verizon Global Networks Inc., for Authorization to Provide In-Region InterLATA Services in Massachusetts

Dear Ms. Salas:

On yesterday, Richard Rubin, Michael Lieberman, and I (all of AT&T) met with Richard Lerner, Rhonda Lien, Jennifer McKee, and Carol Canteen of the Common Carrier Bureau's Competitive Pricing Division. We discussed AT&T's positions on Verizon's Supplemental Massachusetts 271 application, as previously advanced in this proceeding.

During this meeting, we reiterated that Verizon's 271 application does not comply with the Act's pricing requirements. In addition, we also: (1) explained why the UNE rates Verizon filed on October 13, 2000 - which were imported from the State of New York - are not TELRIC compliant, (2) demonstrated that even when the USF Synthesis Model is used as a measure of absolute relative cost comparisons between states (as the FCC used it in its KS/OK decision), the October 13th filed rates proved to be unreasonable and grossly inflated, and (3) showed that the filed rates are so excessive, they ensure that the local exchange service consumer market is not now open to competition, let alone being "irreversibly" open to competition.

Accordingly, the Commission should reject Verizon's 271 application and emphatically reaffirm Congress' mandate and the public interest benefits of ILECs employing TELRIC pricing principles to establish UNE rate levels.

A copy of the slides and charts utilized at this meeting is attached hereto.

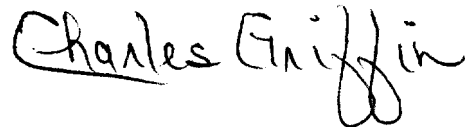
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In accordance with Section 1.1206(a)(1) of the Commission's rules, two copies of this Notice are being submitted to the Secretary of the Commission for inclusion in the public record for the above-captioned proceeding.

Sincerely,

A handwritten signature in black ink that reads "Charles Griffin". The signature is written in a cursive style with a large, stylized "G" and a long, sweeping underline.

Attachments

cc: R. Lerner
C. Canteen
R. Lien
J. McKee

Verizon's Massachusetts 271 Application Does Not Comply with the Act's Pricing Requirements

AT&T Presentation

February 20, 2001

Verizon's Supplemental Filing Contains No New Pricing Data

- All UNE rates are the same as in VZ-MA's 10/13/00 ex parte
- VZ-MA has never demonstrated that its UNE rates are TELRIC
- VZ-MA's application must therefore be rejected

VZ-MA's Rates Fail All TELRIC Tests

- No showing in MA that UNE rates are TELRIC
- Rates imported from NY on 10/13/00 have not been found to be TELRIC
- Application of the FCC's USF Synthesis Model shows non-compliance with TELRIC
- Margin analysis shows that no efficient competitor could compete

UNE Rates Filed with the Application are Not TELRIC

- The initial MA rates set by the DTE are not TELRIC because of:
 - Excessive cost of capital factor
 - Inadequate fill factors
 - Inefficient assumptions re use of all fiber feeder
 - Overstated switch prices and installation costs
 - Understated assumptions regarding usage

Mere Importation of Current New York Rates to MA is Not Sufficient

- For the KS/OK application, the baseline TELRIC rates (TX) were set only months before the 271 filing; in sharp contrast, the New York rates were set in 1997
- Unlike KS/OK/TX, the baseline rates in question for MA were in dispute at the time of the New York 271 application and the usage rates were subject to retroactive adjustment; the imported MA rates are seriously disputed and not subject to any true-up
- Unlike KS/OK/TX, there was significant record evidence in New York, *before* the follow-on MA 271 application, that the baseline rates were excessive; VZ offers no rebuttal evidence here
- No regulatory agency has found, based on the substantial evidence introduced in New York prior to the VZ-MA application, that the imported MA rates are TELRIC

Comparison of MA UNE Rates to the USF Synthesis Model Confirms the MA Rates are Not TELRIC

- Compared to Kansas, Oklahoma and Texas, MA costs are generally lower
 - MA platform costs range from 26% to 4% lower
 - MA non-loop costs range from 17% lower to 7% higher
- Compared to KS/OK/TX, the absolute MA UNE rates are higher than would be expected
 - Platform rates are >25% higher than expected
 - Non-loop UNEs are >150% higher than expected
- Consequently, on a relative basis, MA UNE rates are much higher than would be expected
 - Platform are 36-95% higher than expected
 - Non-loop UNEs are 82-222% higher than expected

Margin Analyses Show that VZ-MA's UNE Rates are Not TELRIC

- VZ-MA's retail rates are not excessively low
- VZ-MA has not claimed that its retail rates are not profitable
- Under these conditions, if VZ-MA's UNE rates were truly set at TELRIC, one could reasonably assume that an efficient competitor could profitably enter the residential market on a statewide basis
- No such competition has emerged in MA
- Gross margin analyses provided by AT&T and WCOM show why – no competitor could recover its reasonable retail costs, much less hope for a profit
- A strong implication that UNE rates are not TELRIC

Margin Analyses Also Confirm that Approval of the Application Would Not Be in the Public Interest

- The public interest test is independent of the checklist
- The test is used to determine if “other relevant market factors exist that would frustrate the congressional intent that markets be open” – *KS/OK Order*, ¶ 267
- The margin analysis proves that a critical “market factor” prevents any competitor from entering MA on a mass market basis to serve residential consumers
- Lack of such entry proves this assumption is operating on the market today
- Accordingly, the Commission cannot find that the residential market in MA is currently “open” on a long-term, sustainable basis or that LD entry by VZ-MA would be in the public interest
- Granting the application would only enable VZ-MA to expand on its current monopoly position and extend that dominance into adjacent markets, including the remonopolization of the LD market

LOOP: UNE SynMod vs. Tariffed UNE Rates

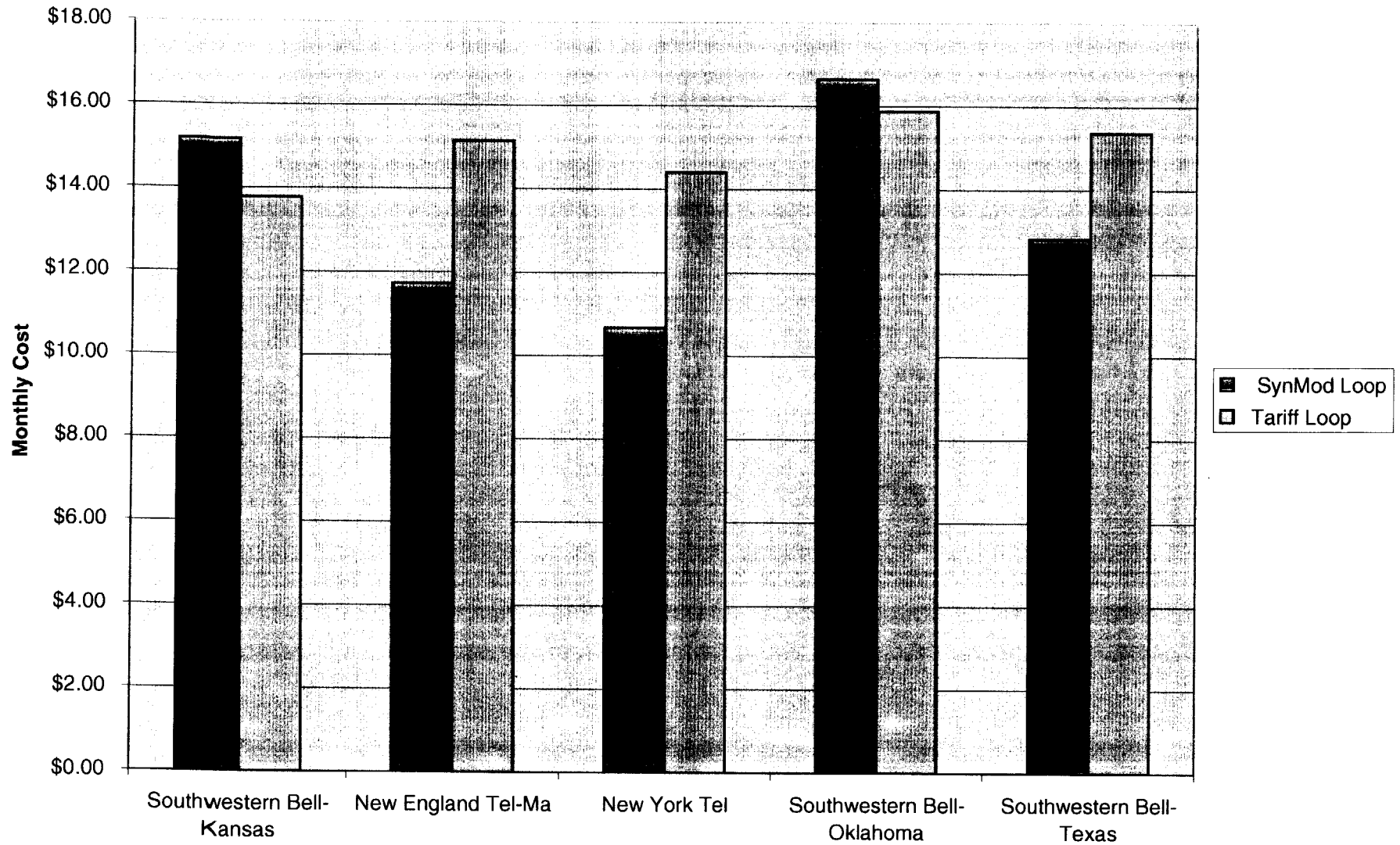


Chart1

NON-LOOP: UNE SynMod vs. Tariffed UNE Rates

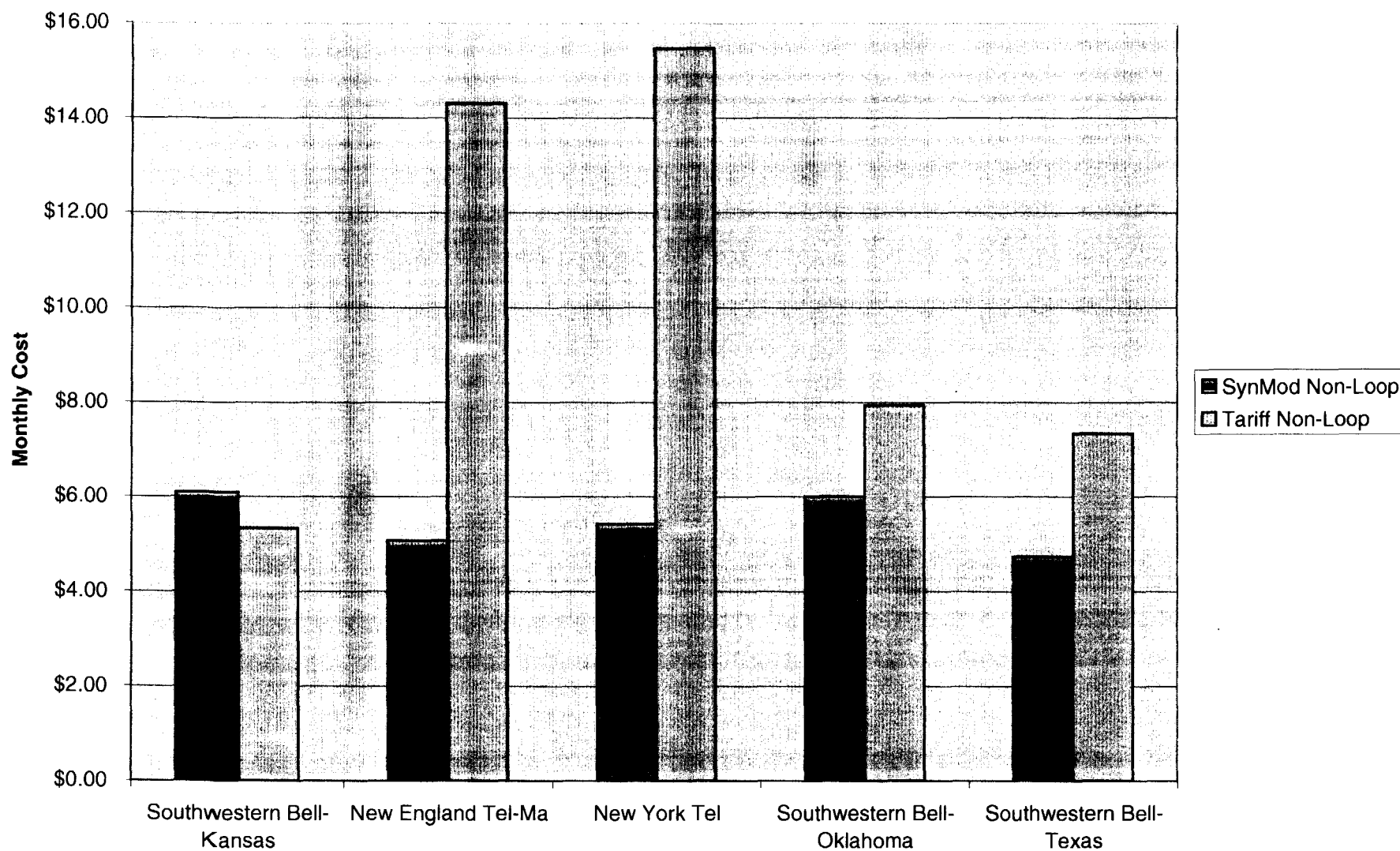


Chart2

PLATFORM: UNE SynMod vs. Tariffed UNE Rates

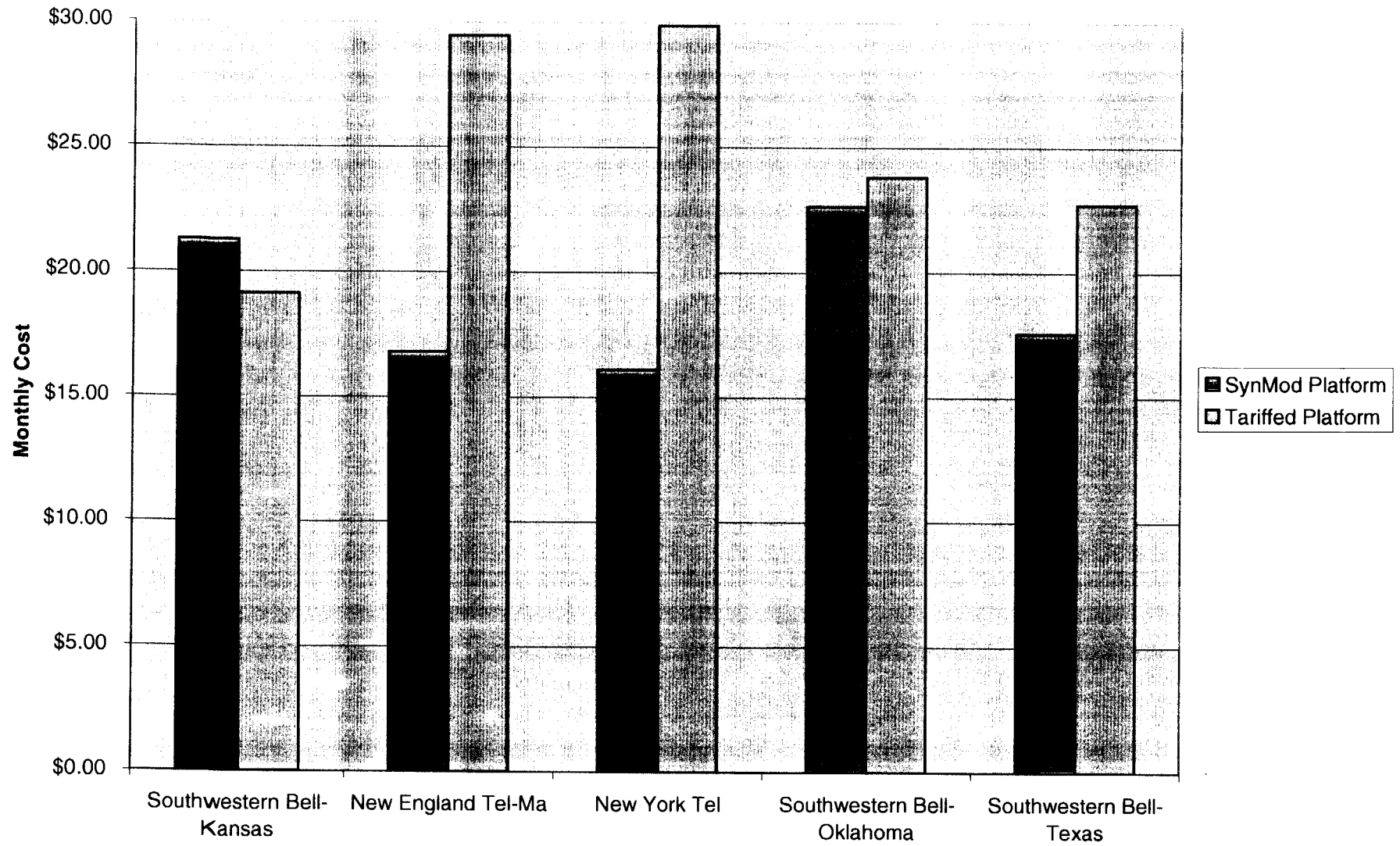


Chart3

**LOOP: Expected VZ-MA Cost Calculated by Adjusting Other States' Tariffed Rates
by the Relative Cost Difference Between States Indicated by the FCC SynMod**

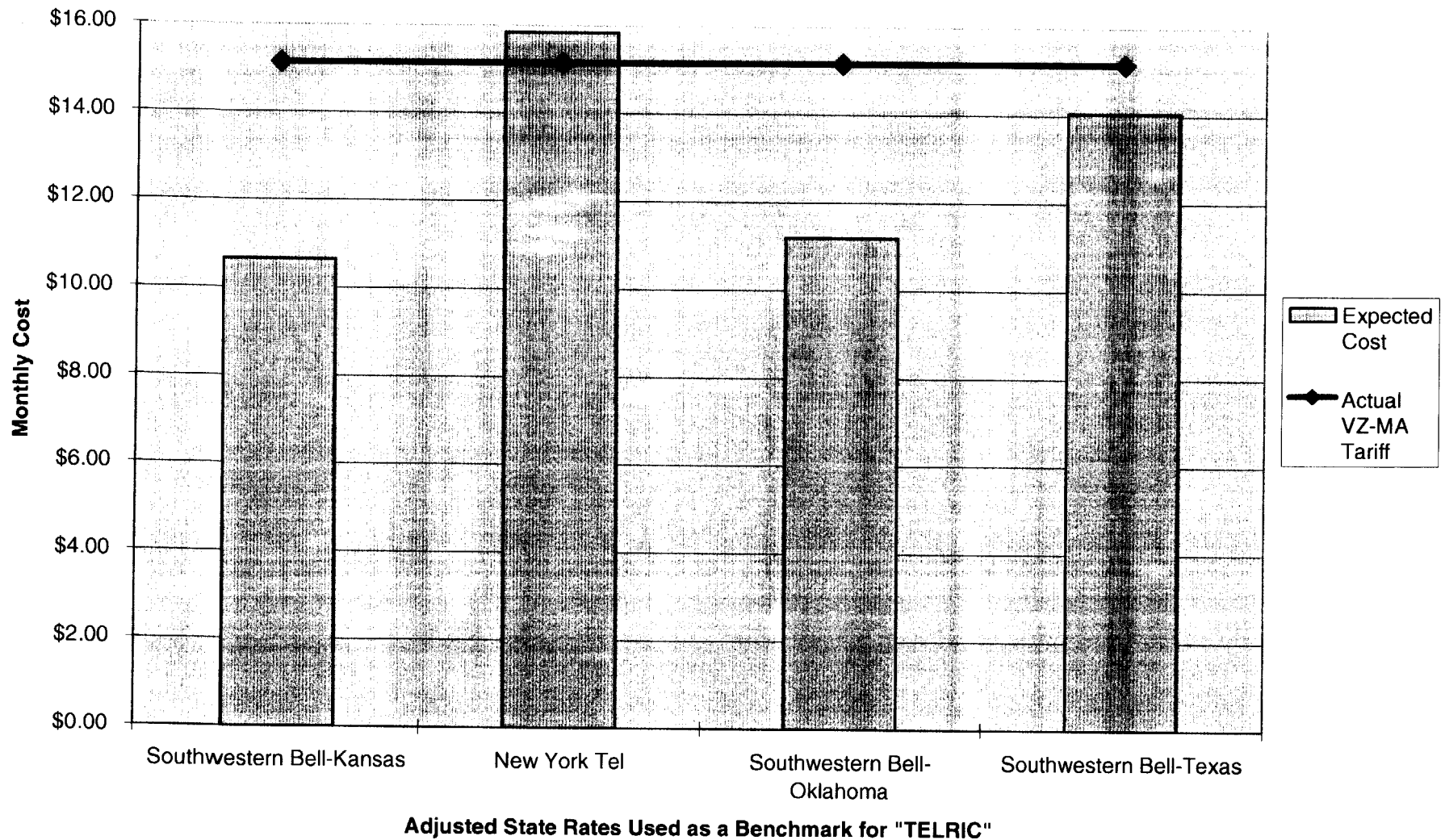


Chart4

**NON-LOOP: Expected VZ-MA Cost Calculated by Adjusting Other States' Tariffed Rates
by the Relative Cost Difference Between States Indicated by the FCC SynMod**

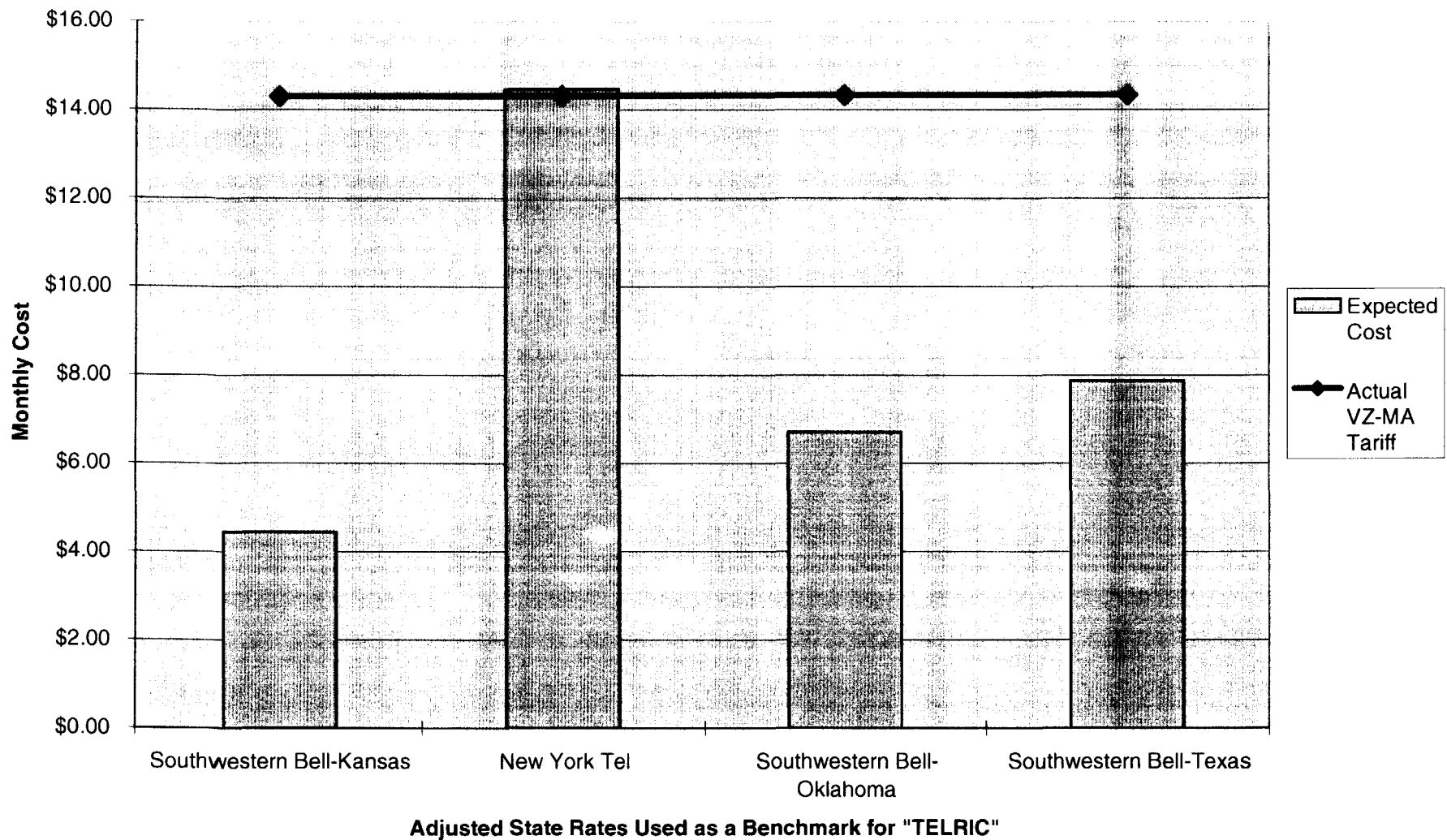


Chart5

**PLATFORM: Expected VZ-MA Cost Calculated by Adjusting Other States' Tariffed Rates
by the Relative Cost Difference Between States Indicated by the FCC SynMod**

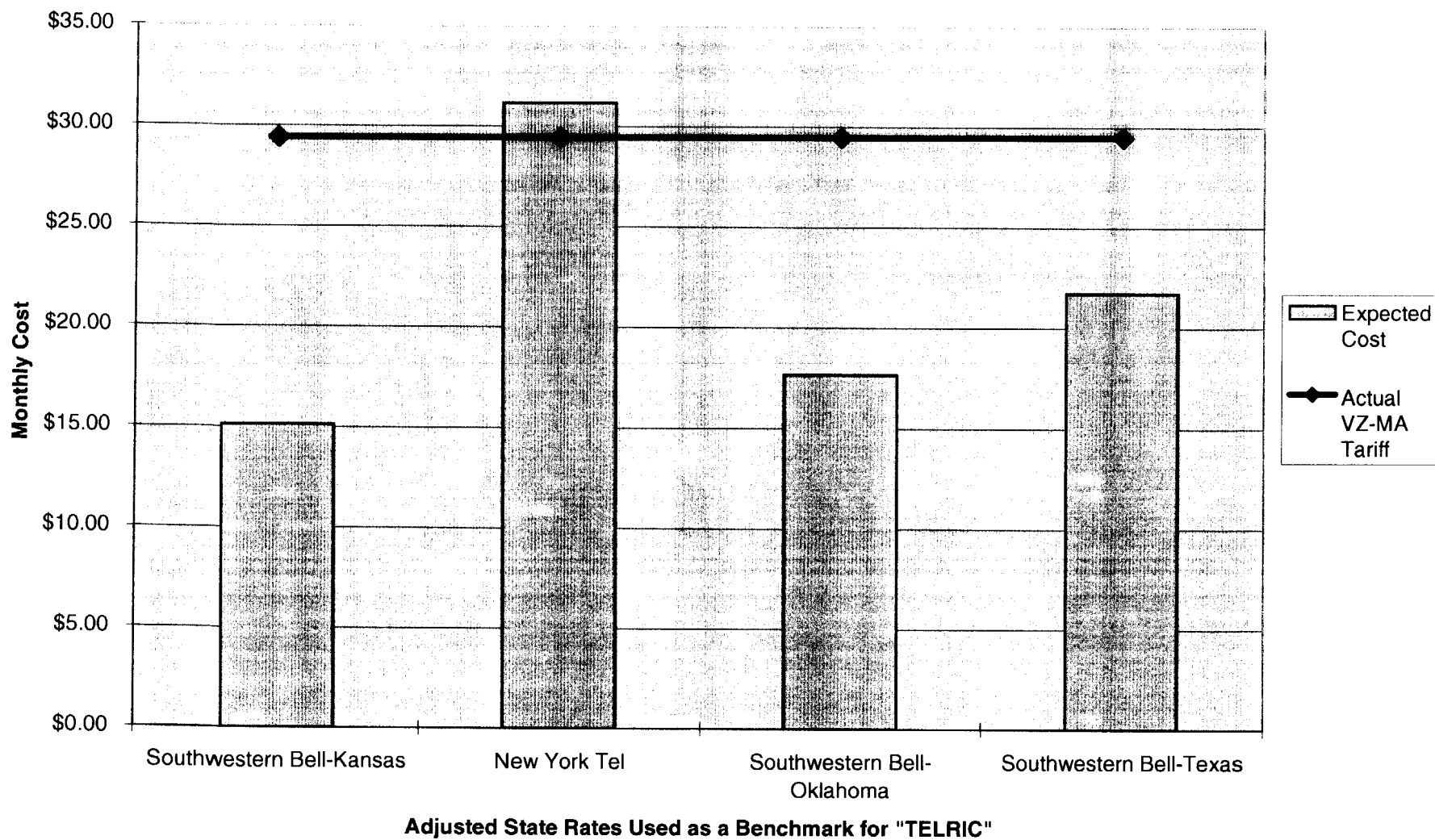


Chart6

Absolute and Relative Rate Comparisons

<i>Expense-Adjusted UNE SynMod (Calculated at Standard Input Volumes)</i>	Loop	Port	Local/Access/Toll Switch + Trans + Signaling Usage	Platform
Southwestern Bell-Kansas	\$15.17	\$1.00	\$5.09	\$21.26
New England Tel-Ma	\$11.72	\$0.97	\$4.10	\$16.79
New York Tel	\$10.67	\$0.98	\$4.45	\$16.09
Southwestern Bell-Oklahoma	\$16.63	\$0.96	\$5.04	\$22.63
Southwestern Bell-Texas	\$12.82	\$0.94	\$3.79	\$17.55

<i>Tariffed UNE Rates (Calculated at Standard Input Volumes)</i>	Loop	Port	Local/Access/Toll Switch + Trans + Signaling Usage	Platform	Platform Pct Diff vs. SynMod	Non-Loop Pct Diff vs. SynMod	Loop Pct Diff vs. SynMod
Southwestern Bell-Kansas	\$13.78	\$1.61	\$3.73	\$19.12	-10%	-12%	-9%
New England Tel-Ma	\$15.14	\$2.00	\$12.31	\$29.45	75%	182%	29%
New York Tel	\$14.41	\$2.50	\$12.96	\$29.87	86%	185%	35%
Southwestern Bell-Oklahoma	\$15.87	\$2.28	\$5.65	\$23.80	5%	32%	-5%
Southwestern Bell-Texas	\$15.37	\$2.90	\$4.44	\$22.70	29%	55%	20%

<i>Percent by which VZ-MA SynMod UNE costs exceed the SynMod UNE costs in other states (Calculated at Standard Input Volumes)</i>	Loop	Port	Local/Access/Toll Switch + Trans + Signaling Usage	Platform	Total Non-Loop
Southwestern Bell-Kansas	-23%	-3%	-19%	-21%	-17%
New York Tel	10%	-1%	-8%	4%	-6%
Southwestern Bell-Oklahoma	-30%	0%	-19%	-26%	-16%
Southwestern Bell-Texas	-9%	3%	8%	-4%	7%

<i>Percent by which VZ-MA tariffed UNE rates exceed the allegedly TELRIC UNE rates in other states (Calculated at Standard Input Volumes)</i>	Loop	Port	Local/Access/Toll Switch + Trans + Signaling Usage	Platform	Total Non-Loop
Southwestern Bell-Kansas	10%	24%	230%	54%	168%
New York Tel	5%	-20%	-5%	-1%	-7%
Southwestern Bell-Oklahoma	-5%	-12%	118%	24%	80%
Southwestern Bell-Texas	-1%	-31%	177%	30%	95%

<i>Implied difference of VZ-MA from TELRIC as benchmarked by other states' "TELRIC" rates (Calculated at Standard Input Volumes)</i>	Loop	Port	Local/Access/Toll Switch + Trans + Signaling Usage	Platform	Total Non-Loop
Southwestern Bell-Kansas	42%	28%	310%	95%	222%
New York Tel	-4%	-19%	3%	-6%	-1%
Southwestern Bell-Oklahoma	35%	-13%	168%	67%	114%
Southwestern Bell-Texas	8%	-33%	156%	36%	82%